

BEFORE THE PUBLIC DISCLOSURE COMMISSION
OF THE STATE OF WASHINGTON

IN RE COMPLIANCE)	PDC CASE NO: #03-019
WITH RCW 42.17)	
)	REPORT OF INVESTIGATION
Whatcom County Republican Party)	
)	
<u>Respondent.</u>)	

I.

BACKGROUND

- 1.1 On August 8, 2002, Public Disclosure Commission (PDC) Assistant Director Susan Harris filed a formal complaint against the Whatcom County Republican Party (WCRP) alleging violations of RCW 42.17.065, 42.17.080 and 42.17.090 by failing to timely file reports of contribution and expenditure activities for calendar years 1999, 2000 and 2001.

II.

SCOPE

- 2.1 Staff reviewed the Cash Receipts and Monetary Contribution Reports (PDC Form C-3) and the Summary Full Report Receipts and Expenditures (PDC Form C-4) submitted for calendar years 1999, 2000, and 2001, and a portion of 1998, by the WCRP.
- 2.2 Staff also reviewed prior reports submitted by the WCRP for calendar year 1997, and the majority of calendar year 1998.
- 2.3 Staff reviewed the responses submitted by the WCRP as part of this investigation.

III.

LAW

3.1 RCW 42.17.065 states the following:

“(1) In addition to the provisions of this section, a continuing political committee shall file and report on the same conditions and at the same times as any other committee in accordance with the provisions of RCW 42.17.040, 42.17.050, and 42.17.060.

(2) A continuing political committee shall file with the commission and the auditor or elections officer of the county in which the committee maintains its office or headquarters and if there is no such office or headquarters then in the county in which the committee treasurer resides a report on the tenth day of the month detailing its activities for the preceding calendar month in which the committee has received a contribution or made an expenditure: PROVIDED, That such report shall only be filed if either the total contributions received or total expenditures made since the last such report exceed two hundred dollars.”

3.2 RCW 42.17.080 states in part:

“(1) On the day the treasurer is designated, each candidate or political committee shall file with the commission and the county auditor or elections officer of the county in which the candidate resides, or in the case of a political committee, the county in which the treasurer resides, in addition to any statement of organization required under RCW 42.17.040 or 42.17.050, a report of all contributions received and expenditures made prior to that date, if any.

(2) At the following intervals each treasurer shall file with the commission and the county auditor or elections officer of the county in which the candidate resides, . . . a report containing the information required by RCW 42.17.090:

- (a) On the twenty-first day and the seventh day immediately preceding the date on which the election is held; and**
- (b) On the tenth day of the first month after the election . . .**

(c) On the tenth day of each month in which no other reports are required to be filed under this section: PROVIDED, That such report shall only be filed if the committee has received a contribution or made an expenditure in the preceding calendar month and either the total contributions received or total expenditures made since the last such report exceed two hundred dollars.”

3.3 RCW 42.17.090 states in part:

(1) Each report required under RCW 42.17.080 (1) and (2) shall disclose the following:

- (a) The funds on hand at the beginning of the period;**
- (b) The name and address of each person who has made one or more contributions during the period, together with the money value and date of such contributions and the aggregate value of all contributions received from each such person during the campaign or in the case of a continuing political committee, the current calendar year**
- (d) All other contributions not otherwise listed or exempted;**
- (e) The name and address of each candidate or political committee to which any transfer of funds was made, together with the amounts and dates of such transfers;**
- (f) The name and address of each person to whom an expenditure was made in the aggregate amount of more than fifty dollars during the period covered by this report, and the amount, date, and purpose of each such expenditure.**

IV.

FINDINGS

- 4.1 On August 8, 2002, Public Disclosure Commission (PDC) Assistant Director Susan Harris filed a formal complaint alleging that the Whatcom County Republican Party (WCRP) violated RCW 42.17.065, 42.17.080 and 42.17.090 by failing to timely file reports of contribution and expenditure activities for calendar years 1999, 2000 and 2001. **See Exhibit # 1.**

- 4.2 The Whatcom County Republican Party is the bona-fide political party organization operating in Whatcom County as designated by the Washington State Republican Party.
- 4.3 On December 23, 1998, the WCRP filed a Committee Registration Statement (PDC Form C-1pc) listing Gerald Ferrier as Chairman, Elizabeth Britt as Vice Chairman, and Kerry Ferrier as Treasurer. The C-1pc also listed the State Committee man and State Committee woman. **See Exhibit # 2.**
- 4.4 On January 22, 2001, the WCRP filed an amended C-1pc listing Eugene Goldsmith as the Chairman and Media Contact, David Gagnon as Secretary, and Charles Culbertson as Treasurer. **See Exhibit # 3.** No Committee Registration Statement was submitted by the WCRP listing Gerrit Kuiken as treasurer for the WCRP from January of 2000 through apparently January of 2001.

Calendar Year 2001

- 4.5 On February 12, 2001, the WCRP filed three (3) Cash Receipts and Monetary Contribution Reports (PDC Form C-3) and a Summary Full Report Receipts and Expenditures (PDC Form C-4) for contribution and expenditure activity during January of 2001. These were the only reports filed by the WCRP between December 12, 1998, and April 4, 2002.
- 4.6 On May 15, 2002, the Whatcom County Republican Party (WCRP) filed C-3 and C-4 reports for the last eleven months of calendar year 2001, along with an attached cover letter. **See Exhibit # 4.** The reports were filed between 125 and 324 days late, and disclosed that the WCRP received \$44,259.26 in contributions during 2001 that included \$5,256.80 in funds carried over from calendar year 2000, and three transfers to a WCRP money market account that was reported as a miscellaneous receipt totaling \$10,000.
- 4.7 For calendar year 2001, the net contributions received by the WCRP excluding funds transferred and carried forwarded from 2000 totaled \$29,002.46. The transfers should have been reported as an attached memorandum to the reports filed by the WCRP rather than being included in the contribution totals as miscellaneous receipts. The majority of the contributions received by the WCRP during calendar 2001 were proceeds from the Lincoln Day Dinner and Auction, and annual dues payments received by the WCRP from its members.

4.8 The reports filed by the WCRP indicated they made expenditures totaling \$37,367.70 during 2001 that included three transfers to a money market account that was reported as a miscellaneous receipt totaling \$10,000. Those transfers should have been reported as an attached memorandum to the report rather than including them in their totals as miscellaneous expenditures.

4.9 For calendar year 2001, the net funds expended by the WCRP excluding the \$10,000 in funds transferred totaled \$27,367.70. Of the \$37,367.70 in total expenditures made by the WCRP during calendar year 2001, the larger expenditures included the following:

• Transfers to Money Market	\$10,000.00
• Food/Beverage Lincoln Day Dinner	\$ 6,272.92
• Misc. Lincoln Day Dinner Expenses	\$ 3,060.21 ¹
• Reimbursements to Yvonne/Gene Goldsmith	\$ 2,806.95 ²
• Printing/Postage	\$ 2,470.38
• Candidate Contributions	\$ 2,300.00
• Independent Expenditures	\$ 1,958.93
• Printing/Postage Lincoln Day Dinner	\$ 1,734.05
• WSRP Auction-related items	\$ 1,412.08
• Insurance	\$ 708.00
• Telephone Expense	\$ 508.53
• Web site Development	\$ 240.00
• Subscriptions	\$ 100.00

2001 Candidate Contributions

4.10 During 2001, the WCRP made a total of \$2,300 in monetary contributions to candidates for Whatcom County Council and other local offices in Whatcom County as follows:

• 09/07/2001	Citizens for Marlene Dawson	\$ 500.00
• 09/07/2001	Citizens for Bob Wiesen	\$ 500.00
• 09/07/2001	Citizens for Al Scribner	\$ 500.00
• 09/07/2001	Citizens for Ward Nelson	\$ 500.00
• 09/07/2001	Citizens for Dave Gagnon	\$ 100.00
• 09/07/2001	Citizens for Dave White	\$ 100.00

¹ Included more than \$1,100 for Lincoln Day Dinner auction-related items for which documentation was provided on 1/06/2003, \$800 for a 9-piece band for the Lincoln Day Dinner, and \$300 as change for the cash box.

² Additional documentation and invoices was provided for the reimbursements on 1/06/2003.

• 10/12/2001	Citizens for Starr Stout	<u>\$ 100.00</u>
	Total 2001 Candidate Contributions	\$2,300.00

2001 Independent Expenditures

4.11 During 2001, the WCRP made a total of \$1,958.93 in independent expenditures supporting local candidates in Whatcom County as follows:

• 8/31/01	Citizens for Al Scribner	\$ 906.57
• 8/31/01	Citizens for Bob Wiesen	\$ 906.56
• 10/10/01	Citizens for Al Scribner	\$ 72.90
• 10/10/01	Citizens for Bob Wiesen	<u>\$ 72.90</u>
	Total Independent Expenditures	\$ 1,958.93

Calendar Year 2000

4.12 On June 7, 2002, the Whatcom County Republican Party (WCRP) filed C-3 and C-4 reports disclosing activities for calendar year 2000, along with an attached cover letter. **See Exhibit # 5.** The C-3 and C-4 reports were filed between 355 and 710 days late for activities undertaken by the WCRP for calendar year 2000. The reports disclosed that the WCRP received \$47,003.13 in contributions that included \$3,636.83 in funds carried over from calendar year 1999 from the checking account and \$3,189.19 in funds carried over from calendar year 1999 from the money market account, and made expenditures totaling \$38,578.04.

4.13 In addition to the \$6,826.02 in funds carried forward, the WCRP 2000 contribution totals also included the following items:

- \$6,200.58 in transfers between WCRP accounts held in People's Bank that were reported on C-3 reports;
- \$2,391 to re-deposit a check written in error to People's Bank for Cash/ Petty Cash and the 40th District Republicans;
- \$600 in miscellaneous receipts for reimbursements from several candidates committees for their portion of the costs for mailing inserts.

The transfers should have been reported as an attached memorandum to the reports filed by the WCRP rather than including them in their totals as miscellaneous receipts and expenditures.

- 4.14 For calendar year 2000, the net contributions received by the WCRP excluding fund transfers, funds carried forward, and other miscellaneous receipts totaled \$30,985.53. The majority of the contributions received by the WCRP were proceeds from the Lincoln Day Dinner and Auction, and annual dues payments received by the WCRP from its members. The contributions received during calendar year 2000 included the following contributors:

• Connie Hoag	\$1,800.00
• Gary Honcorp	\$1,507.50
• Interlube International, Inc.	\$1,080.00
• Ferndale Truck Rentals	\$ 604.00
• Donald Hansey	\$ 501.00
• Randy Van Beek (Auction item)	\$ 425.00
• Peter Paulson (Auction item)	\$ 410.00
• Virginia Benton	\$ 381.00
• Mitchell Financial Services, Inc	\$ 374.00
• Tosco Corporation	\$ 370.00
• Henry Jansen	\$ 370.00

- 4.15 The reports filed by the WCRP indicated they made expenditures totaling \$38,578.04 during calendar year 2000 that included transfers to a WCRP money market account that was reported as committee expenditures totaling \$6,200.58. For calendar year 2000, the net funds expended by the WCRP excluding the funds transferred, the \$2,391 in funds expended in error, and the \$600 in candidate reimbursements for their portion of mailing expenses totaled \$29,368.46. Of the \$38,578.04 in total expenditures made by the WCRP during calendar year 2000, the larger expenditures included the following:

• Reimbursements to Yvonne/Gene Goldsmith	\$ 9,035.66 ³
• Transfers to Money Market	\$ 6,200.58
• Candidate Contributions-Cash & In-kind	\$ 3,854.87
• Miscellaneous-detail or breakdown provided	\$ 3,596.20 ⁴
• Cash/Petty 40 th District Repub (cut in error)	\$ 2,391.00

³ The \$9,035.66 in reimbursements includes a \$7,193.80 payment to Gene Goldsmith for catering and preparation for the Lincoln Day Dinner, which had been previously paid to the Resort at Semiahmoo by Mr. Goldsmith. This receipt and additional documentation was submitted by the WCRP on 1/06/2003.

⁴ Includes \$1,000 payment to Bob Wiesen on September 15, 2000 for misc. reimbursement/sign crew supplies, and \$805.29 for trailer maintenance/repairs (documentation provided on 1/06/2003).

• Newspaper Advertisements	\$ 2,321.97 ⁵
• Printing/Postage Lincoln Day Dinner	\$ 2,358.88
• Office Rent	\$ 1,800.00
• Printing/Postage	\$ 1,456.68
• 2000 Caucus-related expenditures	\$ 1,232.32
• Inn at Semiahmoo-deposit Lincoln Dinner	\$ 1,000.00
• Misc. Lincoln Day Dinner Expenses	\$ 786.48
• Insurance	\$ 708.00
• Telephone Expense (Qwest & AT & T)	\$ 720.82
• Telephone Expense-GOTV (Verizon)	\$ 606.41

2000 Candidate Contributions

4.16 During 2000, the WCRP made a total of \$3,854.87 in monetary and in-kind contributions to three legislative candidates from the 42nd Legislative District, and one Congressional candidate as follows:

• Friends & Family for Marta Guevara	\$ 1,324.00
• Citizens for Bruce Ayers	\$ 1,000.00
• John Koster for Congress	\$ 698.87
• Doug Erickson Campaign	<u>\$ 832.00</u>
Total Candidate Contributions	\$ 3,854.87

4.17 On June 10, 2002, a three and one half page letter was submitted by Gerrit Kuiken, treasurer for the Whatcom County Republican Party from January of 2000 through apparently January of 2001. **See Exhibit #6.** No Committee Registration Statement was submitted by the WCRP listing Mr. Kuiken as treasurer. Mr. Kuiken indicated that he suffered from a personal injury that required physical therapy during 2000, and also had computer problems that added to his lack of timeliness in filing the reports, but went on to state:

“...Except for signing a few checks for consolidated Lincoln Day Dinner bills, all the financial activities associated with this activity were handled by the Lincoln Day Dinner Committee and others, i.e., deposit checks receipts, charge card slips, etc. In fact, during all of my tenure as WCRP treasurer, nearly all finance activities except signing checks at monthly meetings and recording operating account report activities in my “Quicken”

⁵ Includes \$1,748.75 for WCRP “voter guide inserts” that were produced by Yvonne Goldsmith, and were really GOP slate cards.

program, compiling and making a monthly meeting financial report, were transacted by others. Sometimes I received the monthly bank statements (mailed to the party post office box) and sometimes I didn't. All of these extended transactions, bank statements received (sic) by others, etc., made keeping detailed financial records very difficult, if not impossible..."

Calendar Year 1999

- 4.18 On June 25, 2002, the WCRP filed C-3 and C-4 reports disclosing activities for calendar year 1999. **See Exhibit #7.** The reports were filed between 730 and 1,070 days late, and disclosed that the WCRP received \$25,586.83 in contributions that included \$3,132.68 in money market funds carried over from calendar year 1998, and \$1,032.12 in checking account funds carried over from 1998.
- 4.19 For calendar year 1999, the net contributions received by the WCRP excluding funds carried forward from 1998 totaled \$21,422.03. The majority of the contributions received by the WCRP for calendar year 1999 were proceeds from the Lincoln Day Dinner and Auction, annual dues payments received by the WCRP from its members, a \$1,653.50 contribution from the Washington State Republican Party (WSRP), and a \$1,000 contribution from Interlube International, Inc.
- 4.20 The WCRP made a total of \$18,760.81 in expenditures during calendar year 1999 that included the following:
- Payment to Advo made on October 7, 1999 for Newspaper Advertising \$ 5,472.92
 - Payment to Yvonne Goldsmith-Lincoln Day Dinner Food and Beverage-detailed itemization provided. \$ 5,200.00
 - Honoraria for Lincoln Day Dinner Speaking Fee for California Congressman Bob Doornan \$ 2,000.00
 - RWWC-Miscellaneous-itemization provided \$ 1,586.00
 - Printing/Postage Lincoln Day Dinner Expenses \$ 1,367.37
 - Travel & Accommodations for Bob Doornan \$ 1,275.00

With regard to the October 7, 1999 Advo expenditure, the WCRP indicated that Yvonne Goldsmith produced the advertisement for the WCRP and that it was for a party building GOTV activity. Part of the advertisement included specific candidate information, for which each participating candidate reimbursed the WCRP for his/her portion of the costs.

1998-One Month Period

- 4.21 The WCRP filed a C-4 report on June 25, 2002, that covered the period of December 1-31, 1998, disclosing \$6.20 in bank interest and \$438 in other expenditures. **See Exhibit #8.** Of the \$438 in expenditures made by the WCRP, \$222.25 was for Get-Out-The-Vote (GOTV) phone calls paid to Kelley Services.
- 4.22 On June 14, 2002, Bruce Ayers included a letter along with the PDC reports filed for the Whatcom County Republican Party. **See Exhibit #9.** In the letter, Mr. Ayers stated the following:

“...This completes the task of updating the Whatcom County Republican Party PDC reports from December 10, 1998 to January 1, 2002. We were able to reconstruct substantially all of the parties financial transaction. Where specific detail was unrecoverable, we have noted it on the applicable report.

The Executive Board of the Whatcom County Republican Party has asked me to communicate their deepest regrets for the chain of events that lead to the untimely submission of these reports. They have taken definitive actions to insure that all required future reports will be submitted in accordance with Washington State Statutes. In addition, they have spent several thousand dollars to reconstruct the past three years of financial transactions. This money was hard earned and created a substantial hardship on the parties resources...”

- 4.23 On January 6, 2003, Bruce Ayers included a letter along with 50(+) pages of documents and invoices submitted on behalf of the WCRP. **See Exhibit #10.** The documents or invoices were for reimbursements for expenditures made to WCRP officials and volunteers covering calendar years 1999-2001. The documents and invoices were provided in response to a November 15, 2002 PDC staff request for additional information. In the letter, Mr. Ayers stated the following:

“...During the past three years, there were three separate Treasurers and two different Chairman. The Whatcom County Central Committee did not have a permanent office and most of the files and financial records for the past three years have been moved, lost, discarded or misplaced. At the request of this year’s Executive Committee, Ayers Consulting, LLC

reconstructed thousands of the prior financial transactions for the Whatcom County Central Committee. We used existing records, available files, bank statements, cancelled checks and the bank's copies of previous deposits. During our re-construction we did not discover one instance where a committee leader or volunteer member received any direct or indirect financial compensation for their time or expertise."

"Any checks that were made out to an individual were done so as a reimbursement for a direct expense in the on-going operation and activities of the Central Committee. Accounting policies were followed and each treasurer worked diligently to ensure receipts were received prior to any reimbursement. When individual committee chairs used personal charge cards on behalf of the Central Committee, payments were made to the credit card companies based on itemized statements indicating the direct expense that was charged. We have been able to locate and provide to you most, but not all, of these receipts and credit card statements..."

- 4.24 The following is a chart summarizing the activities undertaken by the WCRP for a portion of 1998, and calendar years 1999, 2000 and 2001:

<u>Year</u>	<u>Contributions</u>	<u>Expenditures</u>	<u>Expenditures for Candidates</u>	<u>Date Filed</u>	<u>Amount Late</u>
1998	None	\$ 438	None	6/25/02	3 yrs. 5 months
1999	\$ 21,422	\$ 18,761	None	6/25/02	2 – 3 years
2000	\$ 30,986	\$ 29,368	\$ 3,854.87	6/7/02	1 – 2 years
2001	\$ 29,002	\$ 27,368	\$ 2,300 \$ 1,959 (I.E.s)	5/15/02	125 – 324 days
Totals	\$ 81,410	\$ 75,935	\$ 8,113.87		

- 4.25 In his January 6, 2003 response on behalf of the WCRP, Mr. Ayers went on to state the following:

"As you are aware during the transition of Committee leadership at the beginning of 2002, the prior PDC reporting oversight was discovered by the new volunteer Treasurer. Immediately the new Central Committee leadership began the difficult task of assembling prior data. To date, they have spent excess of \$7,500

in recovering missing bank records, in consulting fees, and in-kind volunteer efforts. They have successfully reconstructed thousands of individual transactions. They have submitted three years worth and over 600 pages of PDC reports. They have made the PDC reporting a top priority. They began to submit, and continue to submit, the required report forms in a timely and accurate manner. I hope you will take notice of this substantial and genuine commitment to comply with all the PDC reporting requirements by the current Central Committee leadership. In addition, take their hard work and continuing compliance expenses for past oversights into consideration in your recommendations and reporting to the PDC Commissioners."

- 4.26 A review of the reports submitted by the Whatcom County Republican Party covering the period January 1-November 30, 2002, indicated that they established two accounts for the 2002 election, an exempt and a non-exempt funds account. The WCRP have substantially complied with the reporting requirements for that timeframe for both accounts, and the reporting for the non-exempt funds were transmitted electronically since July of 2002.
- 4.27 In all matters related to this investigation, Bruce Ayers and the Whatcom County Republican Party have fully cooperated.

Respectfully submitted this 7th day of January, 2003.

Kurt Young
Chief Political Finance Specialist

List of Exhibits

- Exhibit #1** On August 8, 2002, the Public Disclosure Commission filed a formal complaint against the Whatcom County Republican Party (WCRP).
- Exhibit #2** On December 23, 1998, the WCRP filed a Committee Registration Statement (PDC Form C-1pc).
- Exhibit #3** On January 22, 2001, the WCRP filed an amended C-1pc.
- Exhibit #4** On May 15, 2002, the WCRP filed C-4 reports for the last eleven months of calendar year 2001, along with an attached cover letter date stamped May 16, 2002.
- Exhibit #5** On June 7, 2002, the WCRP filed C-4 reports disclosing activities for calendar year 2000, along with an attached cover letter date stamped June 10, 2002.
- Exhibit #6** On June 10, 2002, a three and one half page letter was submitted by Gerrit Kuiken, former treasurer for the Whatcom County Republican Party.
- Exhibit #7** On June 25, 2002, the WCRP filed C-4 reports disclosing activities for calendar year 1999.
- Exhibit #8** On June 25, 2002, the WCRP filed a C-4 report disclosing activities for December of calendar year 1998.
- Exhibit #9** On June 14, 2002, Bruce Ayers submitted a letter on behalf of the WCRP, received by the PDC on June 26, 2002.
- Exhibit #10** On December 31, 2002, Bruce Ayers included a letter submitted on behalf of the WCRP received by the PDC on January 6, 2003.